

USC Foundation

Financial Statements
April 30, 2018



September 10, 2018

Independent Auditor's Report

To the Directors of USC Foundation

We have audited the accompanying financial statements of USC Foundation, which comprise the statement of financial position as at April 30, 2018 and the statements of changes in net assets, operations and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of USC Foundation as at April 30, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

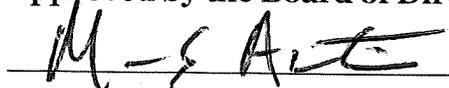
USC Foundation

Statement of Financial Position

As at April 30, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash	41,163	96,000
Investments (note 4)	6,040,622	6,665,399
Accrued investment income	37,406	44,014
Due from USC Canada (note 5)	191,411	68,542
Prepaid expenses	4,951	5,423
	<u>6,315,553</u>	<u>6,879,378</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	<u>3,700</u>	<u>11,423</u>
Net Assets (note 3)		
Lotta Hitschmanova Legacy Fund	5,673,682	6,255,420
Externally restricted - endowments	<u>638,171</u>	<u>612,535</u>
	<u>6,311,853</u>	<u>6,867,955</u>
	<u>6,315,553</u>	<u>6,879,378</u>

Approved by the Board of Directors



Director



Director

The accompanying notes are an integral part of these financial statements.

USC Foundation

Statement of Changes in Net Assets

For the year ended April 30, 2018

	Balance - Beginning of year \$	Net expense for the year \$	Endowment Contributions \$	Balance - End of year \$
Lotta Hitschmanova Legacy Fund	6,255,420	(581,738)	-	5,673,682
Externally restricted - endowments (note 3)	612,535	-	25,636	638,171
	<u>6,867,955</u>	<u>(581,738)</u>	<u>25,636</u>	<u>6,311,853</u>

The accompanying notes are an integral part of these financial statements.

USC Foundation
Statement of Operations
For the year ended April 30, 2018

	2018 \$	2017 \$
Revenue		
Bequests	429,137	504,527
Investment income (note 4)	84,822	775,102
Other	1,500	1,700
	<hr/> 515,459	<hr/> 1,281,329
Expense (note 5)		
Administration	55,086	30,992
Investment counsel fees	43,686	46,467
Fundraising	48,425	22,394
	<hr/> 147,197	<hr/> 99,853
Revenue before contribution to USC Canada	368,262	1,181,476
Contribution to USC Canada (note 5)	<hr/> 950,000	<hr/> 1,473,500
Net expense for the year	<hr/> (581,738)	<hr/> (292,024)

The accompanying notes are an integral part of these financial statements.

USC Foundation
Statement of Cash Flows
For the year ended April 30, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Net expense for the year	(581,738)	(292,024)
Items not involving cash		
Change in fair value in investments	130,401	(540,162)
Amortization of premiums	11,230	16,417
Net changes in non-cash working capital items	(123,512)	(339,717)
	(563,619)	(1,155,486)
Investing activity		
Net change in investments	483,146	1,120,771
Financing activity		
Endowment contributions	25,636	38,650
Net change in cash for the year	(54,837)	3,935
Cash - Beginning of year	96,000	92,065
Cash - End of year	41,163	96,000

The accompanying notes are an integral part of these financial statements.

USC Foundation

Notes to Financial Statements

April 30, 2018

1 Purpose of the organization

USC Foundation (the Foundation) has been established to accept donations, gifts, legacies and bequests for the long-term support and security of USC Canada programs. The Foundation is incorporated under the Canada Not-for-Profit Corporations Act. The Foundation is a public foundation under section 149.1 of the Income Tax Act and is exempt from income taxes.

2 Summary of significant accounting policies

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates.

Investments

Investments are measured at fair value using quoted market prices. Dividends, interest and changes in fair value are recognized in the statement of operations.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Under the deferral method, endowment contributions are recorded as a direct increase in net assets.

3 Net assets

Amounts for the Lotta Hitschmanova Legacy are internally restricted by the Board for capital or other purposes. These internally restricted net assets can be transferred to unrestricted net assets by approval of the Board.

Endowment funds have been restricted in perpetuity by the donors. Investment income earned on these resources has been reported as part of general operations unless otherwise restricted by the contributor of the funds for endowment.

USC Foundation

Notes to Financial Statements

April 30, 2018

	Balance - Beginning of year \$	Endowment contributions \$	Balance - End of year \$
Stewart Moore Endowment	300,606	10,174	310,780
Kurt and Evelyn (Russell) Haas Endowment	93,221	10,462	103,683
Manson and Mary Toynebee Endowment	201,245	-	201,245
Rick McTaggart Memorial Fund	17,463	5,000	22,463
	<u>612,535</u>	<u>25,636</u>	<u>638,171</u>

4 Investments

	2018 \$	2017 \$
Fixed-rate bonds	3,308,055	3,765,731
Canadian equities	1,050,124	1,096,035
U.S. and foreign equities	1,682,443	1,803,633
	<u>6,040,622</u>	<u>6,665,399</u>

92.7% (2017 - 93.1%) of the Foundation's portfolio was issued in Canada, the United States and the United Kingdom.

Fixed-rate bonds have yields that vary from 2.62% to 5.80% and mature between 2018 and 2026 (2017 - yields that vary from 2.62% to 5.80% and mature between 2017 and 2026). Credit ratings are BBB or higher.

Investment income is comprised of:

	2018 \$	2017 \$
Interest	118,188	136,174
Dividends	108,265	115,183
Change in fair value of investments	(130,401)	540,162
Amortization of premiums	(11,230)	(16,417)
	<u>84,822</u>	<u>775,102</u>

USC Foundation

Notes to Financial Statements

April 30, 2018

5 Related party balances and transactions

USC Canada controls the Foundation as the members of the Board of Directors of USC Canada are the members of the Foundation.

Fundraising and administration expenses include \$100,534 (2017 - \$76,859) charged by USC Canada, representing an allocation of employee salaries and USC Canada administration expenses based on time spent working for each entity. These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties involved.

Amounts due to or from USC Canada are without defined terms of repayment and are non-interest-bearing.

6 Government remittances

Government remittances of \$nil (2017 - \$nil) are included in accounts payable and accrued liabilities.